

U.S. BANK EXHIBIT E

**Series 2011 B
PFC Bonds Letter of Credit**

LETTER OF CREDIT

December 15, 2011

U.S. Bank Trust National Association, as Trustee
100 Wall Street, Suite 1600
New York, New York 10005

Attention: Corporate Trust Department

Ladies and Gentlemen:

1. Establishment and Term of Letter of Credit. Government Development Bank for Puerto Rico (the "Bank") hereby establishes, at the request of and for the account of Puerto Rico Public Finance Corporation (the "Corporation"), this irrevocable, transferable standby letter of credit (this "Letter of Credit") in an amount for each Fiscal Year (as defined in the Trust Agreement) equal to the Stated Amount for such Fiscal Year set forth in Schedule A (as reduced and reinstated from time to time as set forth herein) in favor of U.S. Bank Trust National Association, as trustee (together with its transferees, the "Trustee") under that certain Trust Agreement dated as of June 1, 2004 (the "Trust Agreement"), by and between the Corporation and the Trustee, exclusively for the benefit of the holder's of the Corporation's \$437,645,000 aggregate principal amount of 2011 Series B Bonds (Commonwealth Appropriation Bonds) (the "2011 Series B Bonds") under and pursuant to the provisions of the Trust Agreement. This Letter of Credit is effective immediately and shall expire at 3:00 p.m. (Puerto Rico time) on the earliest of

- (a) August 2, 2031 (the "Scheduled Termination Date"),
- (b) the date on which the Bank shall have received written notice from the Trustee that the principal amount of and interest on all 2011 Series B Bonds shall have been paid in full and there are no 2011 Series B Bonds outstanding,
- (c) the date on which the Bank shall have received written notice from the Trustee that a successor letter of credit or alternate security has been substituted for this Letter of Credit in accordance with the Trust Agreement (such earliest date, the "Termination Date"), and
- (d) the date on which this Letter of Credit is surrendered to the Bank for cancellation.

By the Trustee's acceptance of this Letter of Credit, the Trustee agrees, promptly upon the occurrence of the Termination Date, to surrender this Letter of Credit to the Bank for cancellation, together with a certificate in the form of Exhibit 1 hereto, appropriately completed.

2. Drawing. Subject to the terms and conditions set forth herein, the Bank hereby irrevocably authorizes the Trustee to draw on the Bank on or before the Termination Date, by means of a duly signed and completed certificate in the form of Exhibit 2 hereto (the "Drawing Certificate"), an aggregate amount not to exceed in any Fiscal Year the Stated Amount for such Fiscal Year as set forth in Schedule A hereto (the "Stated Amount") if (i) the Trustee has not received by the close of business on the third Business Day preceding August 1 of any Fiscal Year (as defined in the Trust Agreement) during the term of the 2011 Series B Bonds written notice signed by the President [or any Executive Vice President] of the Corporation that an operating budget for the Commonwealth of Puerto Rico for such Fiscal Year has been duly adopted by the Legislature of Puerto Rico and approved by the Governor of Puerto Rico and is then in effect, and (ii) the Trustee has not otherwise received funds representing the full amount of the principal and interest due with respect to the 2011 Series B Bonds for the Bond Year (as defined in the Trust Agreement) commencing within such Fiscal Year. The delivery of such Drawing Certificate hereunder which is honored by the Bank is referred to herein as a "Drawing." Upon the payment to the Trustee or the Trustee's account of the amount specified in a Drawing hereunder, the Bank shall be fully discharged of the Bank's obligation under this Letter of Credit with respect to such Drawing, and the Bank shall not be obligated thereafter to make any further payments under this Letter of Credit in respect of such Drawing to the Trustee or to any other person who may have made to the Trustee or who makes to the Trustee a demand for payment under the 2011 Series B Bonds.

3. Reduction of Stated Amount. Immediately upon each Drawing, the Stated Amount and the amount available to be drawn hereunder by the Trustee shall be automatically reduced by an amount equal to the amount of such Drawing. The Stated Amount and the amount available to be drawn hereunder may be reinstated from time to time in accordance with Section 4.

4. Reinstatement of Stated Amount. The Stated Amount and the amount available to be drawn hereunder shall be automatically reinstated to the Stated Amount prior to any Drawing immediately upon receipt by the Bank of full reimbursement of all amounts due to it in respect of such Drawing under the Letter of Credit and Reimbursement Agreement dated as of December 1, 2011, between the Bank and the Corporation (the "Agreement"). Promptly upon such reinstatement, the Bank shall provide the Trustee with notice of such reinstatement in the form of Exhibit 3.

5. Presentation of Drawing Certificate. Funds under the Letter of Credit are available to the Trustee in one or more Drawings. The Drawing Certificate called for herein shall be dated the date of presentation and presented to the Bank at its office located at Roberto Sánchez Vilella Government Center, De Diego Avenue, Stop 22, Santurce, Puerto Rico 00908, Attention: Capital Markets Department, or at any other office which may be designated by the Bank by written notice delivered to the Trustee (the Bank's "Office"). Demand for payment hereunder may be made by telecopy, to be promptly followed by delivery of a signed original thereof (and such telecopy shall be effective upon receipt thereof by the Bank at its Office). If the Bank receives the Trustee's Drawing Certificate at its Office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 11:00 a.m. (Puerto Rico time) on a Business Day on or prior to the Termination Date, the Bank will honor the same not later than 5:00 p.m. (Puerto Rico time) on the same Business Day in accordance with the Trustee's

payment instructions. If the Bank receives the Trustee's Drawing Certificate, all in strict conformity with the terms and conditions of this Letter of Credit, after 11:00 a.m. (Puerto Rico time) but not later than 1:30 p.m. (Puerto Rico time) on a Business Day on or prior to the Termination Date, the Bank shall honor the same not later than 11:00 a.m. (Puerto Rico time) on the next succeeding Business Day or such later time and/or later Business Day as the Trustee may specify in its demand. If the Bank receives the Trustee's Drawing Certificate, all in strict conformity with the terms and conditions of this Letter of Credit, after 1:30 p.m. (Puerto Rico time) on a Business Day on or prior to the Termination Date (but prior to 3:00 p.m. (Puerto Rico time) on the Termination Date), the Bank shall honor the same not later than 5:00 p.m. (Puerto Rico time) on the next succeeding Business Day or such later time and/or later Business Day as the Trustee may specify in its demand.

6. Telephonic Confirmation. In addition to the requirements set forth in Section 5, the Trustee agrees to use its best efforts to give telephonic notice with respect to its demand for the Drawing no later than the time specified for the delivery of the relevant notice, but any failure to give or any delay in giving such telephonic notice shall not affect the validity of the demand for the Drawing. All telephonic notices to the Bank shall be made to the Bank's Capital Markets Department at (787) 722-7060, and all telecopier communications to the Bank shall be made to the Bank's Capital Markets Department at (787) 728-6835 (or any other telephone or telecopy numbers which may be designated by the Bank by written notice delivered to the Trustee).

7. Payment Instructions. At the request of the Trustee, payment under this Letter of Credit shall be made in immediately available funds by federal funds wire transfer to, or by deposit into, such account and for further credit to such person, as the Trustee may specify to the Bank in writing.

8. Definitions. As used herein, "Business Day" means any day other than a Saturday, Sunday, or a day on which commercial banks located in New York City or San Juan, Puerto Rico are closed to the public.

9. Transfer of Letter of Credit. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who has succeeded the Trustee as trustee under the Trust Agreement and may be successively so transferred. Transfer of the available balance under this Letter of Credit to such transferee shall be effective by the presentation to the Bank of this Letter of Credit accompanied by a certificate substantially in form of Exhibit 4 hereto. Only the Trustee or a transferee under this Section may make a Drawing under this Letter of Credit.

10. Payments from Bank Funds. All payments made by the Bank hereunder shall be made from the Bank's own funds.

11. Extent of Bank's Undertaking. This Letter of Credit sets forth in full the Bank's undertaking, and such undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein (including, without limitation, the 2011 Series B Bonds and the Trust Agreement), except only the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement, except for such certificates.

12. Governing Law. This Letter of Credit is issued under and governed by the International Standby Practices (1998) (Publication 590), except to the extent otherwise specifically set forth herein or therein (the "ISP 98"). This Letter of Credit shall be deemed to be a contract made under the laws of the Commonwealth of Puerto Rico and shall, as to matters not governed by the ISP 98, be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico.

Very truly yours,

**GOVERNMENT DEVELOPMENT BANK
FOR PUERTO RICO**

By: 
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT 1
to the Letter of Credit

CERTIFICATE OF CANCELLATION
relating to
LETTER OF CREDIT
EXHIBIT 1 TO THE LETTER OF CREDIT
PUERTO RICO PUBLIC FINANCE CORPORATION
2011 Series B Bonds (Commonwealth Appropriation Bonds)
Issued under the Trust Agreement
dated as of June 1, 2004, by and between
Puerto Rico Public Finance Corporation
and U.S. Bank Trust National Association, as trustee

The undersigned, a duly authorized signatory of U.S. Bank Trust National Association, as trustee (the "Trustee"), hereby certifies to Government Development Bank for Puerto Rico (the "Bank"), with reference to its irrevocable, transferable standby letter of credit (the "Letter of Credit"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

- (i) The Trustee is the Trustee under the Trust Agreement.
- (ii) The Trustee hereby confirms to the Bank that the Termination Date has occurred, and that the Letter of Credit is no longer to be maintained pursuant to the Trust Agreement or an alternate security or successor letter of credit has been provided in accordance with the Trust Agreement.
- (ii) The Letter of Credit is attached hereto and is being surrendered to the Bank herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of _____, 20__.

U.S. BANK TRUST NATIONAL ASSOCIATION,
As Trustee

By: _____
Name:
Title:

EXHIBIT 2
to the Letter of Credit

DRAWING CERTIFICATE
relating to
LETTER OF CREDIT
EXHIBIT 2 TO THE LETTER OF CREDIT
PUERTO RICO PUBLIC FINANCE CORPORATION
2011 Series B Bonds (Commonwealth Appropriation Bonds)
Issued under the Trust Agreement
dated as of June 1, 2004, by and between
Puerto Rico Public Finance Corporation
and U.S. Bank Trust National Association, as trustee

The undersigned, a duly authorized signatory of U.S. Bank Trust National Association, as trustee (the "Trustee"), hereby certifies to Government Development Bank for Puerto Rico (the "Bank"), with reference to its irrevocable, transferable standby letter of credit (the "Letter of Credit"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

- (i) The Trustee is the Trustee under the Trust Agreement for the holders of the 2011 Series B Bonds.
- (ii) The 2011 Series B Bonds are entitled to the benefit of the Letter of Credit.
- (iii) The Trustee is making a Drawing under the Letter of Credit in the amount of \$_____ to enable the Trustee to make the deposits required under Section 1301 of the Trust Agreement.
- (iv) The amount specified in clause (3) of the Certificate does not exceed the amount available to be drawn under the Letter of Credit for purposes of making the deposits required under Section 1301 of the Trust Agreement.
- (v) Payment is to be made in immediately available funds by [federal funds wire transfer to deposit into account number _____ with _____ for credit to] [_____ the Trustee].

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of _____, 20__.

U.S. BANK TRUST NATIONAL ASSOCIATION,
as Trustee

By: _____
Name:
Title:

EXHIBIT 3
to the Letter of Credit

CERTIFICATE OF REINSTATEMENT
relating to
LETTER OF CREDIT
EXHIBIT 3 TO THE LETTER OF CREDIT
PUERTO RICO PUBLIC FINANCE CORPORATION
2011 Series B Bonds (Commonwealth Appropriation Bonds)
Issued under the Trust Agreement
dated as of June 1, 2004, by and between
Puerto Rico Public Finance Corporation
and U.S. Bank Trust National Association, as trustee

The undersigned, a duly authorized signatory of Government Development Bank for Puerto Rico (the "Bank"), hereby notifies U.S. Bank Trust National Association, as trustee (the "Trustee"), with reference to its irrevocable, transferable standby letter of credit (the "Letter of Credit"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, that:

(i) The Bank was fully reimbursed for all amounts due to it with respect to the amounts drawn under the Letter of Credit pursuant to the Drawing Certificate dated _____, 20__.

(ii) The Letter of Credit has been reinstated in the amount of such Drawing and the stated amount of the Letter of Credit is now \$_____.

IN WITNESS WHEREOF, the Bank has executed and delivered this Certificate as of _____, 20__.

GOVERNMENT DEVELOPMENT BANK OF
PUERTO RICO

By: _____
Name:
Title:

EXHIBIT 4
to the Letter of Credit

CERTIFICATE OF TRANSFER
relating to
LETTER OF CREDIT
EXHIBIT 4 TO THE LETTER OF CREDIT
PUERTO RICO PUBLIC FINANCE CORPORATION
2011 Series B Bonds (Commonwealth Appropriation Bonds)
Issued under the Trust Agreement
dated as of June 1, 2004, by and between
Puerto Rico Public Finance Corporation
and U.S. Bank Trust National Association, as trustee

The undersigned, a duly authorized signatory of U.S. Bank Trust National Association, as trustee (the "Trustee"), hereby irrevocably instructs Government Development Bank for Puerto Rico (the "Bank"), with reference to its irrevocable, transferable standby letter of credit (the "Letter of Credit"; any capitalized term used herein and not defined shall have its respective meaning as set forth in the Letter of Credit) issued by the Bank in favor of the Trustee, to transfer all rights and duties of the Trustee under the Letter of Credit to

(Name of Transferee)

(Address)

The transferee has succeeded the undersigned as Trustee under the Trust Agreement dated as of June 1, 2004, by and between Puerto Rico Public Finance Corporation and the Trustee.

The Letter of Credit is attached hereto and is being surrendered to the Bank herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate as of
_____, 20__.

U.S. BANK TRUST NATIONAL ASSOCIATION,
As Trustee

By: _____
Name:
Title:

Acknowledged:

(Name of Successor Trustee)

By: _____
Name:
Title:

SCHEDULE A
to the Letter of Credit

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Stated Amount</u>
2012	\$ 0
2013	0
2014	0
2015	4,242,926
2016	20,202,474
2017	0
2018	0
2019	0
2020	0
2021	0
2022	0
2023	0
2024	0
2025	24,250,000
2026	0
2027	0
2028	10,481,350
2029	63,187,100
2030	0
2031	3,375
2032	0